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STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

IP 2009(27)

INFORMATIONAL PUBLICATION

Sales and Use Tax Exemptions for Purchases or Leases of Fuel-Efficient Passenger Motor Vehicles

Purpose: This Informational Publication describes the sales and use tax exemption for purchases and leases of fuel-efficient passenger motor vehicles and addresses purchases of accessories or service contracts in connection with a purchase or lease of a fuel-efficient vehicle. It has been updated to refer to motor vehicles of the 2010 model year for purposes of the exemption in Conn. Gen. Stat. §12-412(110).

Effective Dates: The exemption under Conn. Gen. Stat. §12-412(110) for purchases or leases of high miles per gallon (mpg) passenger motor vehicles is effective for purchases or leases occurring on or after January 1, 2008, and on or before June 30, 2010.

Statutory Authority: Conn. Gen. Stat. §12-412(110), Conn. Gen. Stat. §12-407(a)(37)(CC), and Conn. Agencies Regs. §12-407(2)(i)(DD)-1.

Passenger Motor Vehicles: Passenger motor vehicles are frequently offered in different configurations (such as different choices of engine, transmission, and other major options) and the configurations may impact whether a particular passenger motor vehicle qualifies for this exemption. Therefore, the **current** United States Environmental Protection Agency (USEPA) ratings for the particular passenger motor vehicle being purchased or leased **must be reviewed** to determine if it qualifies for exemption.

In determining whether passenger cars have a certain USEPA mpg rating and, thus, whether their purchase or lease is exempt from Connecticut sales and use taxes, DRS is using the improved method USEPA put into place, beginning with model year 2008, to determine mpg ratings. The improved methodology results in mpg ratings that more accurately represent real world

driving conditions. For most vehicles, the improved methodology means a lower mpg rating than would have resulted from the old method. DRS is using the improved method for all vehicles purchased or leased on or after January 1, 2008, including pre-model year 2008 vehicles.

The sales and use tax exemption described in this publication applies to the purchase or lease of a new or used qualifying, fuel-efficient passenger motor vehicle from a motor vehicle dealer and to the purchase of a used qualifying passenger motor vehicle directly from a non-dealer owner.

Accessories and Service Contracts: Accessories that are part of the selling price of an exempt vehicle are also exempt. However, any accessories sold after the original sale of the vehicle are taxable.

Sales of service contracts, such as extended warranties or repair contracts, are taxable even if the purchase or lease of the vehicle is exempt under Conn. Gen. Stat. §12-412(110). An exception is if a nonresident of Connecticut purchases a service contract after the original purchase of the vehicle, in which case the contract is considered to be sold at the location the vehicle is registered.

The Exemption for High MPG Passenger Motor Vehicles: Purchases and leases of passenger motor vehicles that meet the following conditions qualify for exemption under Conn. Gen. Stat. §12-412(110):

- The vehicle must be a passenger motor vehicle, as defined in Conn. Gen. Stat. § 14-1(63). A **motorcycle is not a passenger motor vehicle** and so purchases and leases of motorcycles do not qualify for this exemption. A passenger motor vehicle may, but need not be, a hybrid passenger car;

- The vehicle must have a USEPA estimated city or highway mileage rating of at least 40 miles per gallon; **and**
- The purchase or lease must occur on or after January 1, 2008, and on or before June 30, 2010. The exemption applies to lease payments for that portion of the lease term that is on or after January 1, 2008, and on or before June 30, 2010.

Purchases and leases of 2009 and 2010 model year passenger motor vehicles are exempt if the vehicle has a USEPA estimated city or highway mileage of at least 40 miles per gallon. This can be determined either by the Fuel Economy Label attached to the window of a new vehicle or by searching for the vehicle with the appropriate configuration, such as fuel type or transmission type, at www.fueleconomy.gov/feg/findacar.htm.

Purchases and leases of the following pre-2009 passenger motor vehicles qualify for exemption under Conn. Gen. Stat. §12-412(110) as long as the purchases and leases occur on or after January 1, 2008, and on or before June 30, 2010. Both automatic and manual transmissions of the models listed below qualify unless designated otherwise:

- Chevrolet Metro (3 cylinder only) for model years 1998 and 1999;
- Chevrolet Sprint (manual only) for model years 1990 (not the Turbo model), 1991, 1992, and 1994;
- Geo Metro (3 cylinder manual only) for model years 1990, 1991, 1992, 1993, 1994, 1995, 1996, and 1997;
- Honda Civic (8-valve) for model years 1992, 1993, and 1994;
- Honda Civic (EGR/2-VLV (FFS)) for model year 1995;
- Honda Civic CRX HF for model years 1990 and 1991;
- Honda Civic HB VX for model years 1992, 1993, 1994, and 1995;
- Honda Civic Hybrid for model years 2003, 2004, 2005, 2006, 2007, and 2008;
- Honda Civic HX for model years 1996 and 2002 (manual only);
- Honda Insight for model years 2000, 2001, 2002, 2003, 2004, 2005, and 2006;
- Mercedes Benz Smart Fortwo for model year 2008;
- Pontiac Firefly (manual only) for model years 1990, 1991, 1992, and 1994;

- Suzuki Swift (3 cylinder manual only) for model years 1990, 1991, 1992, 1993, and 1995;
- Toyota Prius for model years 2001, 2002, 2003, 2004, 2005, 2006, 2007, and 2008;
- Volkswagen Golf/GTI (diesel) for model years 1996 and 1997;
- Volkswagen New Golf (diesel) for model years 1999, 2000, 2001, 2002, 2003, 2004 (manual only), 2005 (manual only), and 2006;
- Volkswagen Jetta (diesel) for model years 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004 (manual only), and 2005 (manual only);
- Volkswagen New Jetta (diesel) for model year 1999;
- Volkswagen Jetta Wagon (diesel) for model years 2002, 2003, and 2004 (manual only);
- Volkswagen New Beetle (diesel) for model years 1998 (manual only), 1999, 2000, 2001, 2002 (manual only), 2003 (manual only), 2004 (manual only), 2005 (manual only), and 2006 (manual only);
- Volkswagen Passat (diesel) for model years 1996 and 1998 (manual only); **and**
- Volkswagen Passat Wagon (diesel) for model years 1996 and 1998 (manual only).

Effect on Other Documents: Informational Publication 2008(14.1), *Sales and Use Tax Exemptions for Purchases or Leases of Fuel-Efficient Passenger Motor Vehicles*, is modified and superseded.

Effect of This Document: An Informational Publication issued by the Department of Revenue Services (DRS) addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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